
HOUSE BILL No. 1265

DIGEST OF INTRODUCED BILL

Citations Affected: IC 5-10.2-4; IC 5-10.3-7-9.

Synopsis: PERF pension benefits. Decreases from 20 to 12 the number of calendar quarters used in determining the average annual compensation for the purpose of calculating pension benefits for public employees' retirement fund (PERF) members who retire after June 30, 2001. Increases from 1.1% to 1.2% the multiplier used in calculating pension benefits for PERF members who retire after June 30, 2001, with more than ten but less than 20 years of creditable service. Increases the multiplier from 1.1% to 1.3% for PERF members who retire after June 30, 2001, with at least 20 years of creditable service. Increases from 3% of a member's compensation to 5% of a member's compensation the amount of the contribution paid by the employer after June 30, 2001, on behalf of state employees who are PERF members.

Effective: July 1, 2001.

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January 9, 2001, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

HOUSE BILL No. 1265

A BILL FOR AN ACT to amend the Indiana Code concerning pensions.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 5-10.2-4-3 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 3. (a) **This subsection**
3 **applies to members of the public employees' retirement fund who**
4 **retire before July 1, 2001.** Except as provided in subsection ~~(e)~~, (f),
5 in computing the retirement benefit for a nonteacher member, "average
6 of the annual compensation" means the average annual compensation
7 calculated using the twenty (20) calendar quarters of service in a
8 position covered by the retirement fund before retirement in which the
9 member's annual compensation was the highest. However, in order for
10 a quarter to be included in the twenty (20) calendar quarters, the
11 nonteacher member must have performed service throughout the
12 calendar quarter. All twenty (20) calendar quarters do not have to be
13 continuous but they must be in groups of four (4) consecutive calendar
14 quarters. The same calendar quarter may not be included in two (2)
15 different groups.
16 (b) **This subsection applies to members of the public employees'**
17 **retirement fund who retire after June 30, 2001. Except as provided**

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in subsection (f), in computing the retirement benefit for a nonteacher member, "average of the annual compensation" means the average annual compensation calculated using the twelve (12) calendar quarters of service in a position covered by the retirement fund before retirement in which the member's annual compensation was the highest. However, in order for a quarter to be included in the twelve (12) calendar quarters, the nonteacher member must have performed service throughout the calendar quarter. All twelve (12) calendar quarters do not have to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups.

(c) In computing the retirement benefit for a teacher member, "average of the annual compensation" means the average annual compensation for the five (5) years of service before retirement in which the member's annual compensation was highest. In order for a year to be included in the five (5) years, the teacher member must have received for the year credit under IC 21-6.1-4-2 for at least one-half (1/2) year of service. The five (5) years do not have to be continuous.

~~(c)~~ (d) Subject to IC 5-10.2-2-1.5 "annual compensation" means the basic salary earned by and paid to the member plus the amount that would have been part of that salary but for:

(1) the state's, a school corporation's, a participating political subdivision's, or a state educational institution's (as defined in IC 20-12-0.5-1) paying the member's contribution to the fund for the member; or

(2) the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code.

The portion of a back pay award or a similar award that the board determines is compensation under an agreement or under a judicial or an administrative proceeding shall be allocated by the board among the years the member earned or should have earned the compensation. Only that portion of the award allocated to the year the award is made is considered to have been earned during the year the award was made. Interest on an award is not considered annual compensation for any year.

~~(d)~~ (e) Compensation of no more than two thousand dollars (\$2,000) received from the employer in contemplation of the member's retirement, including severance pay, termination pay, retirement bonus, or commutation of unused sick leave or personal leave, may be included in the total annual compensation from which the average of the annual compensation is determined, if it is received:



- (1) before the member ceases service; or
 (2) within twelve (12) months after the member ceases service.
 (f) This section applies to a member of the general assembly:
 (1) who is a participant in the legislators' retirement system established under IC 2-3.5;
 (2) who is also a member of the public employees' retirement fund or the state teachers' retirement fund; and
 (3) whose years of service in the general assembly may not be considered in determining the average of the annual compensation under this section, as provided in IC 2-3.5-1-2(b)(2) or IC 2-3.5-3-1(c).

The board shall use the board's actuarial salary increase assumption to project the salary for any previous year needed to determine the average of the annual compensation.

SECTION 2. IC 5-10.2-4-4, AS AMENDED BY P.L.195-1999, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 4. (a) The computation of benefits under this section is subject to IC 5-10.2-2-1.5.

(b) For retirement benefits payable on and after July 1, 1975, for a member retired on and after January 1, 1956, the pension (p) is computed as follows:

STEP ONE: Multiply ~~one and one-tenths percent (1.1%)~~ **the applicable percentage (ap) determined under section 4.5 of this chapter** times the average of the annual compensation (aac) and obtain a product.

STEP TWO: To obtain the pension, multiply the STEP ONE product by the total creditable service (scr) completed by the member on his retirement date.

Expressed mathematically:

$$p = \text{ap} \times \text{aac} \times \text{scr}$$

(c) Unless the member has chosen a lump sum payment under section 2 of this chapter or elects to defer receiving in any form the member's annuity savings account under section 2(c) of this chapter, the annuity is the amount purchasable on the member's retirement date by the amount credited to the member in the annuity savings account. The amount purchasable is based on actuarial tables adopted by the board under IC 5-10.2-2-10 at an interest rate determined by the board.

SECTION 3. IC 5-10.2-4-4.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2001]: **Sec. 4.5. (a) The applicable percentage referred to in section 4(b) of this chapter is one and one-tenth percent (1.1%) for:**



(1) a member of the Indiana state teachers' retirement fund;
and

(2) a member of the public employees' retirement fund who
retires before July 1, 2001.

(b) For a member of the public employees' retirement fund who
retires after June 30, 2001, the applicable percentage referred to
in section 4(b) of this chapter is:

(1) one and two-tenths percent (1.2%) for a member who has
completed at least ten (10) but not more than twenty (20)
years of creditable service; or

(2) one and three-tenths percent (1.3%) for a member who
has completed twenty (20) or more years of creditable service.

SECTION 4. IC 5-10.3-7-9 IS AMENDED TO READ AS
FOLLOWS [EFFECTIVE JULY 1, 2001]: Sec. 9. (a) Each member
shall contribute three percent (3%) of his compensation to the fund as
specified in IC 5-10.2-3, ~~However, for a member who is a state
employee, the employer shall pay the contribution for the member, and~~
except as provided in subsection (b). For a member who is not a state
employee, the employer may pay the contribution for the member.

(b) For a member who is a state employee, for contributions
made after June 30, 2001, the employer shall pay a contribution of
not less than five percent (5%) of the member's compensation to
the fund.

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